4 SITUATIONS WORTH TAKING A LOAN

Loans could be super useful, only, if used in the right situations. It goes without saying that the first thing we should do before considering a loan, is to make sure of our ability to repay this loan on time. What comes next is assessing whether or not the situation we are in, is worth taking a loan. Apart from emergencies, the best scenario for counting on a loan, is when you purchase an asset that will increase in value in the future- investment. In this article we will be discussing 4 situations that would be worth taking a loan;

1. Financing/Expanding a Small Business

Taking a loan to finance a small business is much better than giving up its equity. In other words, the cost of debt has a limited time-frame after which the company will have no further obligations to the lender once the loan is fully repaid, hence debt is cheaper than equity for companies that are profitable and expected to perform well - the more profitable a company is or will be, the more costly it is to sacrifice equity. If you whole heartedly believe in your business then you should know at heart that taking a loan to help it grow is definitely worth it because you will get to reap the benefits in the future. Whether you're financing a new marketing strategy or increasing the quality of your raw material, it will payback.

2. Self-development

Investing in yourself may be the most profitable investment you ever make. It always pays off in the future. Whether it's an advanced degree or a specific course that would be available for a limited period, taking a loan to finance it would be a good idea.

3. Real estate investments

Buying a new house is one of the most expensive purchases nowadays, especially for young adults; it's hard to afford the whole amount all in one go. Using a loan would make the process a whole lot easier. Since real estate could be a revenue generating asset and in case you wanted to increase your streams of income, you could also consider purchasing an apartment to lease it. Talk about a real worthy situation though.

4. Consolidating debts and repaying Credit Cards

The benefit of debt consolidation using a loan is to lower the annual interest rate of your debts. Let's say you took a loan with 23% annual interest, only to find out that another bank would give you the exact amount with 21% annual interest rate. At the time, it would be smart to take advantage of the difference in the interest rates. You should only consider a loan to consolidate your debts if it has alower annual interestrate than the interest you are paying.Paying a lower interest rate will allow you to pay off more principal each month, help you get out of debt faster, and lower the total cost of your debt.